HOUSE BILL No. 1840

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-21; IC 6-3.5-9; IC 6-8.1-1-1; IC 8-18-8-5; IC 8-18-22-6.

Synopsis: Local property tax replacement income tax. Allows a county council to impose a property tax replacement income tax not exceeding 1% for the county. Allows the county council to use revenues from the property tax replacement income tax for property tax replacement credit. Provides an additional state distribution to local units in an adopting county in the amount of 20% of the property tax replacement income tax imposed by the county. Allows the additional distribution to be used for local road and street funding.

Effective: Upon passage; January 1, 2000.

Kruse

January 26, 1999, read first time and referred to Committee on Ways and Means.

Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 1840

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 6-1.1-21-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 3. (a) On or before March 1 of each year, the state board of tax commissioners shall certify to the department on a form approved by the state board of accounts, an estimate of the total county tax levy collectible in that calendar year for each county in the state. The estimate shall be based on the tax collections for the preceding calendar year, adjusted as necessary to reflect the total county tax levy (as defined in section 2(g) of this chapter) from the budgets, tax levies, and rates as finally determined and acted upon by the state board of tax commissioners. The department, with the assistance of the auditor of state, shall determine on the basis of the report an amount equal to twenty percent (20%) of the total county tax levy, which is the estimated property tax replacement.

(b) In the same report containing the estimate of a county's total county tax levy, the state board of tax commissioners shall also certify the amount of homestead credits provided under IC 6-1.1-20.9 which are allowed by the county for the particular calendar year.

(c) If there are one (1) or more taxing districts in the county that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter, the state board of tax commissioners shall estimate an additional distribution for the county in the same report required under subsection (a). This additional distribution equals the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Estimate that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the estimated property tax replacement determined under subsection (a) that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the property taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(d) If a county has a property tax replacement income tax in effect on January 1 of a calendar year, the state board of tax commissioners shall estimate an additional distribution for the county in the same report required under subsection (a). The additional distribution is equal to twenty percent (20%) of the property tax replacement income taxes that are applied by a county as property tax replacement credits to reduce the levy of civil taxing units in the calendar year, as provided in IC 6-3.5-9.

~~(d)~~ **(e)** The sum of the amounts determined under subsections (a) through ~~(c)~~ **(d)** is the particular county's estimated distribution for the calendar year.

SECTION 2. IC 6-1.1-21-4, AS AMENDED BY P.L.30-1996, SECTION 3, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 4. (a) Each year the department shall allocate from the property tax replacement fund an amount equal to the sum of **the following:**

(1) Twenty percent (20%) of each county's total county tax levy payable that year. ~~plus~~

(2) The total amount of homestead tax credits that are provided under IC 6-1.1-20.9 and allowed by each county for that year. ~~plus~~

(3) An amount for each county that has one (1) or more taxing

districts that contain all or part of an economic development district that meets the requirements of section 5.5 of this chapter. This amount is the sum of the amounts determined under the following STEPS for all taxing districts in the county that contain all or part of an economic development district:

STEP ONE: Determine that part of the sum of the amounts under section 2(g)(1)(A) and 2(g)(2) of this chapter that is attributable to the taxing district.

STEP TWO: Divide:

(A) that part of the subdivision (1) amount that is attributable to the taxing district; by

(B) the STEP ONE sum.

STEP THREE: Multiply:

(A) the STEP TWO quotient; times

(B) the property taxes levied in the taxing district that are allocated to a special fund under IC 6-1.1-39-5.

(4) Twenty percent (20%) of the property tax replacement income taxes that are applied by a county as property tax replacement credits to reduce the levy of civil taxing units in the calendar year, as provided in IC 6-3.5-9.

(b) Between March 1 and August 31 of each year, the department shall distribute to each county treasurer from the property tax replacement fund one-half (1/2) of the estimated distribution for that year for the county. Between September 1 and December 15 of that year, the department shall distribute to each county treasurer from the property tax replacement fund the remaining one-half (1/2) of each estimated distribution for that year. The amount of the distribution for each of these periods shall be according to a schedule determined by the property tax replacement fund board under section 10 of this chapter. The estimated distribution for each county may be adjusted from time to time by the department to reflect any changes in the total county tax levy upon which the estimated distribution is based.

(c) On or before December 31 of each year, or as soon thereafter as possible, the department shall make a final determination of the amount which should be distributed from the property tax replacement fund to each county for that calendar year. This determination shall be known as the final determination of distribution. The department shall distribute to the county treasurer or receive back from the county treasurer any deficit or excess, as the case may be, between the sum of the distributions made for that calendar year based on the estimated distribution and the final determination of distribution. The final determination of distribution shall be based on the auditor's abstract filed with the auditor of state, adjusted for postabstract adjustments included in the December settlement sheet for the year, and such additional information as the department may require.

(d) All distributions provided for in this section shall be made on warrants issued by the auditor of state drawn on the treasurer of state. If the amounts allocated by the department from the property tax replacement fund exceed in the aggregate the balance of money in the fund, then the amount of the deficiency shall be transferred from the state general fund to the property tax replacement fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the payment of that amount. However, any amount transferred under this section from the general fund to the property tax replacement fund shall, as soon as funds are available in the property tax replacement fund, be retransferred from the property tax replacement fund to the state general fund, and the auditor of state shall issue a warrant to the treasurer of state ordering the replacement of that amount.

SECTION 3. IC 6-1.1-21-13 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: **Sec. 13. (a) A county auditor receiving an additional distribution under section 4(a)(4) of this chapter shall distribute the additional distribution to the county and the cities and towns in the county as follows:**

(1) Seventy-five percent (75%) of the money shall be distributed to each of the counties, cities, and towns eligible to receive a distribution from the motor vehicle highway account under IC 8-14-1 and in the same proportion among the counties, cities, and towns as funds are distributed from the motor vehicle highway account under IC 8-14-1.

(2) Twenty-five percent (25%) of the money shall be distributed to each of the counties, cities, and towns eligible to receive a distribution from the local road and street account under IC 8-14-2 and in the same proportion among the counties, cities, and towns as funds are distributed under IC 8-14-2-4.

(b) If a city or town that is eligible for a distribution under this section is located in more than one (1) county, vehicles registered, highway miles located, and population residing outside the county may not be considered in computing a distribution by the county auditor to the city or town under this section.

(c) Money distributed under this section may be used for any purpose that money distributed from the motor vehicle highway account may be used. Money distributed under this section shall be

treated as additional revenues. The amount distributed may not be considered for purposes of computing the ad valorem property tax levy limits imposed on a civil taxing unit by IC 6-1.1-18.5-3.

SECTION 4. IC 6-3.5-9 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 9. Property Tax Replacement Income Tax

Sec. 1. As used in this chapter, "adjusted gross income" has the meaning set forth in IC 6-3-1-3.5(a). However, if the county taxpayer is not a resident of a county that has imposed the property tax replacement income tax, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

Sec. 2. As used in this chapter, "civil taxing unit" means any entity having the power to impose ad valorem property taxes. The term does not include:

(1) a solid waste management district that is not entitled to a distribution under section 9 of this chapter; or

(2) a school corporation.

However, in the case of a consolidated city, the term includes the consolidated city and all special taxing districts, all special service districts, and all other entities of the consolidated city whose budgets and property tax levies are subject to review under IC 36-3-6-9.

Sec. 3. As used in this chapter, "county council" includes the city-county council of a consolidated city.

Sec. 4. As used in this chapter, "county taxpayer" as it relates to a county for a year means an individual:

(1) who resides in the county on the date specified in section 24 of this chapter; or

(2) who maintains a principal place of business or employment in the county on the date specified in section 24 of this chapter and who does not on that same date reside in another county in which the property tax replacement income tax is in effect.

Sec. 5. As used in this chapter, "department" refers to the department of state revenue.

Sec. 6. As used in this chapter, "nonresident county taxpayer", as it relates to a county for a year, means a county taxpayer for the county for that year who is not a resident county taxpayer of the county for that year.

Sec. 7. As used in this chapter, "resident county taxpayer", as

it relates to a county for a year, means any county taxpayer who resides in that county on the date specified in section 24 of this chapter.

Sec. 8. As used in this chapter, "school corporation" has the meaning set forth in IC 36-1-2-17.

Sec. 9. (a) This section applies to a county solid waste management district (as defined in IC 13-11-2-47) or a joint solid waste management district (as defined in IC 13-11-2-113).

(b) A district may not receive a distribution under this chapter unless a majority of the members of each of the county fiscal bodies of the counties within the district passes a resolution approving the distribution.

Sec. 10. (a) A county council may adopt an ordinance under this chapter to do the following:

(1) Impose a property tax replacement income tax or increase the rate of a property tax replacement income tax imposed in the county.

(2) Terminate a property tax replacement income tax or reduce the rate of a property tax replacement income tax imposed in the county.

(3) Either:

(A) allocate a percentage of the property tax replacement income tax imposed in the county; or

(B) increase the percentage of property tax replacement income tax used;

to increase the percentage credit allowed for homesteads in the county under IC 6-1.1-20.9-2.

(4) Reduce or terminate the percentage of property tax replacement income tax used to increase the percentage credit allowed for homesteads in the county under IC 6-1.1-20.9-2.

(b) An ordinance described in subsection (a) must be adopted after January 1 and before April 1 of a calendar year.

(c) An ordinance adopted under:

(1) subsection (a)(1) or (a)(2) takes effect July 1 of the year the ordinance is adopted; and

(2) subsection (a)(3) or (a)(4) takes effect January 1 of the calendar year immediately following the year the ordinance is adopted.

An ordinance under subsection (a) must specify the date the ordinance takes effect.

(d) The county auditor shall record all votes taken on ordinances under this chapter and immediately send by certified

mail a certified copy of the results to the department and the state board of tax commissioners.

(e) An ordinance adopted under subsection (a)(1) or (a)(3) remains in effect until rescinded under an ordinance adopted under subsection (a)(2) or (a)(4).

Sec. 11. (a) A property tax replacement income tax may be imposed, increased, or reduced in any increment of one-tenth of one percent (0.1%) on the adjusted gross income of a county taxpayer in the county. However, the maximum property tax replacement income tax that may be imposed on a nonresident county taxpayer is three-tenths of one percent (0.3%), and the maximum tax that may be imposed on a resident county taxpayer is one percent (1%). The property tax replacement income tax rate imposed on resident county taxpayers may be higher than the rate imposed on nonresident county taxpayers. The property tax replacement income tax rate imposed on nonresident county taxpayers may not be higher than the rate imposed on resident county taxpayers.

(b) The initial ordinance that imposes a property tax replacement income tax must separately state the rate at which the property tax replacement income tax is being imposed on resident county taxpayers and nonresident county taxpayers.

(c) An ordinance that increases or reduces the property tax replacement income tax rate in a county must state the current rate and the rate to which the property tax replacement income tax is being increased or decreased.

Sec. 12. A county council may impose or increase a property tax replacement income tax even if a county adjusted gross income tax, county option income tax, or county economic development income tax is in effect in the county.

Sec. 13. A county council may not reduce the property tax replacement income tax rate if the civil taxing unit has pledged the additional distribution made under IC 6-1.1-21-13 for any purpose allowed by IC 5-1-14 or any other statute.

Sec. 14. (a) Except as provided in subsections (b) and (c), if the property tax replacement income tax is not in effect during a county taxpayer's entire taxable year, the amount of property tax replacement income tax that the county taxpayer owes for that taxable year is the result determined under STEP FIVE of the following formula:

STEP ONE: Determine the amount of property tax replacement income tax the county taxpayer would owe if the

tax had been imposed during the county taxpayer's entire taxable year.

STEP TWO: Determine the number of days during the county taxpayer's taxable year during which the property tax replacement income tax was in effect.

STEP THREE: Determine the total number of days in the county taxpayer's taxable year.

STEP FOUR: Divide the STEP TWO amount by the STEP THREE amount.

STEP FIVE: Multiply the STEP ONE amount by the quotient determined under STEP FOUR.

(b) If a county taxpayer:

(1) is unemployed for a part of the taxpayer's taxable year;

(2) was not discharged for just cause (as defined in IC 22-4-15-1(d)); and

(3) has no earned income for the part of the taxpayer's taxable year that the property tax replacement income tax was in effect;

the county taxpayer's adjusted gross income for the taxable year is reduced by the amount of the taxpayer's earned income for the taxable year.

(c) A taxpayer who qualifies under subsection (b) must file a claim for a refund for the difference between the property tax replacement income tax owed, as determined under subsection (a), and the tax owed, as determined under subsection (b). A claim for a refund must be on a form approved by the department and include all supporting documentation reasonably required by the department.

Sec. 15. (a) Except as provided in subsection (b), if for a particular taxable year a county taxpayer is liable for an income tax imposed by a county, city, town, or other local governmental entity located outside Indiana, that county taxpayer is entitled to a credit against the taxpayer's property tax replacement income tax liability for that same taxable year. The amount of the credit equals the amount of tax imposed by the other governmental entity on income derived from sources outside Indiana and subject to the property tax replacement income tax. However, the credit provided by this section may not reduce a county taxpayer's property tax replacement income tax liability to an amount less than would have been owed if the income subject to taxation by the other governmental entity had been ignored.

(b) The credit provided by this section does not apply to a

county taxpayer to the extent that the other governmental entity provides for a credit to the taxpayer for the amount of property tax replacement income taxes owed under this chapter.

(c) To claim the credit provided by this section, a county taxpayer must provide the department with satisfactory evidence that the taxpayer is entitled to the credit.

Sec. 16. (a) If for a particular taxable year a county taxpayer is, or a county taxpayer and spouse who file a joint return are, allowed a credit for the elderly or the totally disabled under Section 22 of the Internal Revenue Code, the county taxpayer is, or the county taxpayer and spouse are, entitled to a credit against the taxpayer's liability or the taxpayer's and the taxpayer's spouse's liability for property tax replacement income tax for that same taxable year. The amount of the credit equals the result determined under STEP SIX of the following formula:

STEP ONE: Determine the taxpayer's credit or the taxpayer's and the taxpayer's spouse's credit for the elderly or the totally disabled for that same taxable year.

STEP TWO: Determine the property tax replacement income tax rate imposed against the county taxpayer or the county taxpayer and spouse.

STEP THREE: Divide the STEP TWO amount by fifteen-hundredths (0.15).

STEP FOUR: Multiply the STEP ONE amount by the STEP THREE quotient.

STEP FIVE: Determine the amount of property tax replacement income tax imposed on the county taxpayer or the county taxpayer and the taxpayer's spouse.

STEP SIX: Determine the lesser of the STEP FOUR product or the STEP FIVE amount.

(b) If a county taxpayer and spouse file a joint return and are subject to different property tax replacement income tax rates for the same taxable year, they shall compute the credit under this section by using the formula provided by subsection (a), except that they shall use the average of the two (2) property tax replacement income tax rates imposed against them as the STEP TWO amount under the formula in subsection (a).

Sec. 17. (a) A special account within the state general fund shall be established for each county adopting the property tax replacement income tax. Any revenue derived from the imposition of the property tax replacement income tax by a county shall be deposited in that county's account in the state general fund.

(b) Income earned on money held in an account under subsection (a) becomes a part of that account.

(c) Revenue remaining in an account established under subsection (a) at the end of a fiscal year does not revert to the state general fund.

Sec. 18. (a) Revenue derived from the imposition of the property tax replacement income tax shall, in the manner prescribed by this section, be distributed to the county that imposed it. The amount to be distributed to a county during an ensuing calendar year equals the amount of property tax replacement income tax revenue that the department, after reviewing the recommendation of the budget agency, estimates will be received from that county during the twelve (12) month period beginning July 1 of the immediately preceding calendar year and ending June 30 of the following calendar year.

(b) Before July 2 of each calendar year, the department, after reviewing the recommendation of the budget agency, shall estimate and certify to the county auditor of each adopting county the amount of property tax replacement income tax revenue that will be collected from that county during the twelve (12) month period beginning July 1 of that calendar year and ending June 30 of the immediately following calendar year. The amount certified is the county's "certified distribution" for the immediately following calendar year. The amount certified may be adjusted under subsection (c) or (d).

(c) The department may certify to an adopting county an amount that is more than the estimated twelve (12) month revenue collection if the department, after reviewing the recommendation of the budget agency, determines that there will be more revenue available for distribution from the county's account established under section 17 of this chapter.

(d) The department may certify an amount less than the estimated twelve (12) month revenue collection if the department, after reviewing the recommendation of the budget agency, determines that a part of those collections must be distributed during the current calendar year to enable the county to receive its full certified distribution for the current calendar year.

Sec. 19. (a) One-half (1/2) of each adopting county's certified distribution for a calendar year shall be distributed from its account established under section 17 of this chapter to the appropriate county treasurer on May 1 and the other one-half (1/2) on November 1 of that calendar year.

(b) Distributions made to a county treasurer under subsection (a) shall be treated as though they were property taxes that were due and payable during that same calendar year. The certified distribution shall be distributed and used by the civil taxing units as provided in this chapter.

(c) All distributions from an account established under section 17 of this chapter must be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

Sec. 20. (a) The certified distribution received by a county treasurer shall, in the manner prescribed in this section, be allocated, distributed, and used by the civil taxing units of the county as property tax replacement credits.

(b) The certified distribution that constitutes property tax replacement credits shall be distributed as provided under sections 21, 22, and 23 of this chapter.

Sec. 21. (a) The county's certified distribution for a calendar year that is to be used as property tax replacement credits shall be allocated by the county auditor among the civil taxing units of the county.

(b) Except as provided in section 22 of this chapter, the amount of property tax replacement credits that each civil taxing unit in a county is entitled to receive during a calendar year is the result determined under STEP FIVE of the following formula:

STEP ONE: Determine that part of the county's certified distribution that is dedicated to providing property tax replacement credits for that same calendar year.

STEP TWO: Determine the sum of the following:

(A) The total property taxes collected by each civil taxing unit during the calendar year immediately preceding the calendar year in which the distribution is to be made.

(B) The amount of federal revenue sharing funds and certified shares received under IC 6-3.5-1.1 or homestead credits received under IC 6-3.5-6 by each civil taxing unit during the calendar year immediately preceding the year in which the distribution is to be made to the extent that the receipts are used to reduce the civil taxing unit's property tax levy below the limit imposed by IC 6-1.1-18.5 for that same calendar year.

STEP THREE: Determine the sum of the following:

(A) The total property taxes collected by all civil taxing units in the county in the calendar year immediately

preceding the calendar year in which the distribution is to be made.

(B) The amount of federal revenue sharing funds and certified shares received under IC 6-3.5-1.1 or homestead credits received under IC 6-3.5-6 by all civil taxing units in the county during that calendar year to the extent that the receipts are used to reduce the county's property tax levy below the limit imposed by IC 6-1.1-18.5 for that same calendar year.

STEP FOUR: Divide the STEP TWO sum by the STEP THREE sum.

STEP FIVE: Multiply the STEP ONE amount by the STEP FOUR quotient.

(c) The state board of tax commissioners shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit in the auditor's county is entitled to receive. The county auditor shall then certify to each civil taxing unit the amount of property tax replacement credits it is entitled to receive, after making the adjustment under section 22 of this chapter, during that calendar year. The county auditor shall also certify these distributions to the county treasurer.

Sec. 22. (a) This section applies to a civil taxing unit that:

(1) imposes a property tax that is first due and payable in a calendar year in which a distribution is made under this chapter; and

(2) did not impose a property tax that was first due and payable in the calendar year that immediately precedes the calendar year in which the distribution is made.

(b) A civil taxing unit is entitled to receive part of the property tax replacement credits to be distributed within the county. The amount that the civil taxing unit is entitled to receive during that calendar year is the result determined under STEP FIVE of the following formula:

STEP ONE: Determine the part of the county's certified distribution that is to be used to provide property tax replacement credits during that calendar year.

STEP TWO: Determine the budget of the civil taxing unit for that calendar year.

STEP THREE: Determine the aggregate budgets of all civil taxing units of that county for that calendar year.

STEP FOUR: Divide the STEP TWO amount by the STEP THREE amount.

STEP FIVE: Multiply the STEP ONE amount by the STEP FOUR quotient.

(c) If for a calendar year a civil taxing unit is allocated a proportion of a county's property tax replacement credits by this section, the formula used in section 21 of this chapter to determine all other civil taxing units' property tax replacement credits shall be changed for that same year by reducing the amount dedicated to providing property tax replacement credits by the amount of property tax replacement credits allocated under this section for that same calendar year. The state board of tax commissioners shall make any adjustments required by this section and provide them to the appropriate county auditors.

Sec. 23. (a) In determining the amount of property tax replacement credits civil taxing units in a county are entitled to receive during a calendar year, the state board of tax commissioners shall consider only property taxes imposed on tangible property that was assessed in that county.

(b) If a civil taxing unit is located in more than one (1) county and receives property tax replacement credits from one (1) or more of the counties, the property tax replacement credits received from each county shall be used only to reduce the property tax rates that are imposed within the county that distributed the property tax replacement credits.

(c) A civil taxing unit shall treat any property tax replacement credits that it receives or is to receive during a particular calendar year as a part of its property tax levy for that same calendar year for purposes of fixing its budget and for purposes of the property tax levy limits imposed by IC 6-1.1-18.5.

Sec. 24. (a) For purposes of this chapter, an individual is a resident of the county in which the individual:

(1) maintains a home if the individual maintains only one (1) home in Indiana;

(2) if subdivision (1) does not apply, is registered to vote;

(3) if subdivisions (1) and (2) do not apply, registers a personal automobile; or

(4) if subdivisions (1), (2), and (3) do not apply, spends the majority of time spent in Indiana during the taxable year in question.

(b) The residence or principal place of business or employment of an individual is to be determined on January 1 of the calendar year in which the individual's taxable year commences. If an individual changes the location of the individual's residence or

principal place of employment or business to another county in Indiana during a calendar year, the individual's liability for property tax replacement income tax is not affected.

(c) Notwithstanding subsection (b), if an individual becomes a county taxpayer for purposes of IC 36-7-27 during a calendar year because the individual:

(1) changes the location of the individual's residence to a county in which the individual begins employment or business at a qualified economic development tax project (as defined in IC 36-7-27-9); or

(2) changes the location of the individual's principal place of employment or business to a qualified economic development tax project and does not reside in another county in which the property tax replacement income tax is in effect;

the individual's adjusted gross income attributable to employment or business at the qualified economic development tax project (as defined in IC 36-7-27-9) is taxable only by the county containing the qualified economic development tax project (as defined in IC 36-7-27-9).

Sec. 25. (a) The county council of an adopting county may adopt an ordinance to enter into reciprocity agreements with the taxing authority of any city, town, municipality, county, or other similar local governmental entity of any other state. Such a reciprocity agreement must provide that the income of resident county taxpayers is exempt from income taxation by the other local governmental entity to the extent that income of the residents of the other local governmental entity is exempt from the property tax replacement income tax in the adopting county.

(b) A reciprocity agreement entered into under subsection (a) may not become effective until it is also made effective in the other local governmental entity that is a party to the agreement.

(c) The form and effective date of any reciprocity agreement described in this section must be approved by the department.

Sec. 26. (a) Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3) concerning:

(1) definitions;

(2) declarations of estimated tax;

(3) filing of returns;

(4) remittances;

(5) incorporation of the provisions of the Internal Revenue Code;

(6) penalties and interest;

(7) exclusion of military pay credits for withholding; and

(8) exemptions and deductions;

apply to the imposition, collection, and administration of the property tax replacement income tax imposed under this chapter.

(b) The provisions of IC 6-3-1-3.5(a)(5), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the property tax replacement income tax imposed under this chapter.

(c) Notwithstanding subsections (a) and (b), each employer shall report to the department the amount of withholdings for a property tax replacement income tax attributable to each county. This report shall be submitted annually along with the employer's annual withholding report.

Sec. 27. Before February 1 of each year, the department shall submit a report to each county treasurer indicating the balance in the county's property tax replacement income tax account as of the end of the preceding year.

SECTION 5. IC 6-8.1-1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8); the county adjusted gross income tax (IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); **the property tax replacement income tax (IC 6-3.5-9);** the auto rental excise tax (IC 6-6-9); the bank tax (IC 6-5-10); the savings and loan association tax (IC 6-5-11); the production credit association tax (IC 6-5-12); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 6. IC 8-18-8-5 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 5. (a) Except as provided in subsection (c), all expenses incurred in the maintenance of county highways shall be paid out of funds from the gasoline tax, special fuel tax, and the motor vehicle registration fees that are paid to the counties by the state, and from funds derived from the:

(1) county motor vehicle excise surtax;
(2) county wheel tax;
(3) county adjusted gross income tax;
(4) county option income tax;
(5) riverboat admission tax (IC 4-33-12); ~~or~~
(6) riverboat wagering tax (IC 4-33-13); **or**
(7) additional distribution under IC 6-1.1-21-13.

(b) Except as provided in subsection (c), no ad valorem property tax may be levied by any county for the maintenance of county highways, except in an emergency and by unanimous vote of the county fiscal body.

(c) The county fiscal body may appropriate money from the county general fund to the county highway department to pay for employees' personal services.

SECTION 7. IC 8-18-22-6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2000]: Sec. 6. (a) Except as provided in subsection (b), the county fiscal body may pledge revenues for the payment of principal and interest on the bonds and for other purposes under the ordinance as provided by IC 5-1-14-4, including revenues from the following sources:

(1) The motor vehicle highway account.
(2) The local road and street account.
(3) The county motor vehicle excise surtax.
(4) The county wheel tax.
(5) The county adjusted gross income tax.
(6) The county option income tax.
(7) The economic development income tax.
(8) Assessments.
(9) Any other unappropriated or unencumbered money.
(10) Additional distributions under IC 6-1.1-21-13.

(b) The county fiscal body may not pledge to levy ad valorem property taxes for these purposes, except for revenues from the following:

(1) IC 8-16-3.

(2) IC 8-16-3.1.

(c) If the county fiscal body has pledged revenues from the county option income tax as set forth in subsection (a), the county income tax council (as defined in IC 6-3.5-6-1) may covenant that the council will not repeal or modify the tax in a manner that would adversely affect owners of outstanding bonds issued under this chapter. The county income tax council may make the covenant by adopting an ordinance using procedures described in IC 6-3.5-6.

(d) If the county fiscal body has pledged revenues from the economic development income tax as set forth in subsection (a), the county income tax council (if the council is the body that imposed the tax) may covenant that the council will not repeal or modify the tax in a manner that would adversely affect owners of outstanding bonds issued under this chapter. The county income tax council may make the covenant by adopting an ordinance using procedures described in IC 6-3.5-6.

SECTION 8. [EFFECTIVE UPON PASSAGE] **(a) Notwithstanding IC 6-3.5-9, as added by this act, a county council may adopt an ordinance to impose a property tax replacement income tax or allocate a percentage of the property tax replacement income tax to homestead credits after March 31, 1999, and before June 1, 1999.**

(b) This SECTION expires July 1, 2000.

SECTION 9. **An emergency is declared for this act.**